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Public Accounts
1996-97
Volume 1

Consolidated Financial Statements of the Province of Alberta

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PUBLIC ACCOUNTS 1996-97

PREFACE

The Public Accounts of Alberta are prepared in accordance with the provisions of section 77 of the Financial Administration Act. The Public Accounts are presented in four volumes.

This volume contains the audited consolidated financial statements of the Province of Alberta. The consolidated financial statements include the accounts of government entities including the General Revenue Fund, revolving funds, the Alberta Heritage Savings Trust Fund, and other regulated funds, Provincial agencies and Crown-controlled corporations.

Volume 2 contains the audited financial statements of the General Revenue Fund, details of General Revenue Fund expenditure and revenue by department, audited financial statements of revolving funds and regulated funds, and reports that are required to be included with the Public Accounts in accordance with the Financial Administration Act and other statutes, or by direction of the Provincial Treasurer.

Volume 3 contains the audited financial statements of Provincial agencies, commercial enterprises and Crown-controlled corporations. Audited financial statements of subsidiaries of Provincial agencies are also included in Volume 3.

Volume 4 contains the audited financial statements of universities, university foundations, the Banff Centre for Continuing Education, public colleges, technical institutes, the Alberta Cancer Board, the Alberta Heritage Foundation for Medical Research, the Provincial Mental Health Board, Regional Health Authorities and the Workers' Compensation Board.

CONSOLIDATED FINANCIAL STATEMENTS OF THE PROVINCE OF ALBERTA FOR THE YEAR ENDED MARCH 31, 1997

Introduction:

The financial statements in this Volume are consolidations of the financial statements of the General Revenue Fund, revolving funds, regulated funds, Provincial agencies and Crown-controlled corporations, including those agencies and corporations designated by Treasury Department management as commercial enterprises, for which separate financial statements or summaries are presented in Volumes 2 and 3. A listing of these organizations is provided in Schedule 15 to the financial statements.

The method of consolidation is described in the Accounting Policies note that forms part of the financial statements.

STATEMENT OF RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Responsibility for the integrity and objectivity of the consolidated financial statements of the Province of Alberta rests with the government. The consolidated financial statements are prepared by the Controller under the general direction of the Deputy Provincial Treasurer, as authorized by the Provincial Treasurer pursuant to section 13 of the Financial Administration Act. The consolidated financial statements are prepared in accordance with the government's stated accounting policies, and of necessity include some amounts that are based on estimates and judgements. The consolidated financial statements are included in the Public Accounts prepared pursuant to section 77 of the Financial Administration Act, and are required by the Government Accountability Act to be included in the consolidated annual report of the Government of Alberta.

To fulfill its accounting and reporting responsibilities, the government maintains systems of financial management and internal control which give consideration to costs, benefits and risks, and which are designed to provide reasonable assurance that transactions are properly authorized by the Legislative Assembly, are executed in accordance with prescribed regulations, are properly recorded so as to maintain accountability for public money and safeguard the assets and properties of the Province of Alberta under government administration.

Under the Financial Administration Act, deputy heads are responsible for the collection of revenue payable to the Crown, and for making and controlling disbursements with respect to their departments. They are also responsible for prescribing the accounting systems to be used in their departments. The Controller maintains a centralized record of the government's financial transactions, and obtains additional information as required from departments, Provincial agencies, commercial enterprises and Crown-controlled corporations to meet accounting and reporting requirements.

The consolidated financial statements are reviewed by the Audit Committee established under section 21 of the Auditor General Act. Under the Deficit Elimination Act and the Balanced Budget and Debt Retirement Act, the Audit Committee must report publicly to the Lieutenant Governor in Council on the progress made by the government towards achieving a balanced budget and reducing Crown debt. The Audit Committee, under section 23 of the Auditor General Act, advises the Lieutenant Governor in Council on the scope and results of the Auditor General's audit of the government.

The Auditor General of Alberta provides an independent opinion on the consolidated financial statements prepared by the government. The duties of the Auditor General in that respect are contained in section 18 of the Auditor General Act.

Annually, the consolidated financial statements are tabled in the Legislature as a part of the Public Accounts, and are referred to the Standing Committee on Public Accounts of the Legislative Assembly. The Standing Committee on Public Accounts reports to the Legislative Assembly on the results of its examination together with any recommendations it may have with respect to the consolidated financial statements.

Approved on behalf of the Treasury Department:

A. D. O'Brien
Deputy Provincial Treasurer

J. D. Peters
Controller

Edmonton, Alberta
June 13, 1997

PROVINCE OF ALBERTA
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1997

AUDITOR'S REPORT

To the Members of the
Legislative Assembly

I have audited the consolidated statement of financial position of the Province of Alberta as at March 31, 1997 and the consolidated statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of Treasury Department management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province of Alberta as at March 31, 1997 and the results of its operations and the changes in its financial position for the year then ended in accordance with the disclosed basis of accounting as described in Note 1 to the consolidated financial statements.

Peter Valentine

FCA
Auditor General

Edmonton, Alberta
June 13, 1997

PROVINCE OF ALBERTA
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1997

In millions

	1997		1996
	Budget (Note 8)	Actual	Actual
Revenues (Schedule 1):			
Income taxes	$ 4,389	$ 4,852	$ 4,509
Other taxes	2,293	2,326	2,317
Non-renewable resource revenue	2,646	4,034	2,785
Investment income	1,542	1,612	1,722
Transfers from Government of Canada	1,379	1,284	1,671
Fees, permits and licences	1,212	1,273	1,159
Net income from commercial operations	408	311	460
Other	890	959	949
Cushion (Note 8)	(545)	-	-
	14,214	16,651	15,572
Expenses (Schedule 2):			
Health	3,815	3,951	3,747
Education	3,747	3,762	3,756
Social services	1,511	1,511	1,456
Agriculture and economic development	712	675	727
Regional planning and development	673	653	722
Transportation and utilities	522	583	585
Protection of persons and property	452	451	463
Environment and resource conservation	406	407	407
Recreation and culture	177	174	248
Housing	108	103	128
General government	578	549	592
Debt servicing costs	1,401	1,260	1,461
Valuation adjustments (Schedule 3)	426	(288)	94
	14,528	13,791	14,386
Excess (deficiency) of revenues over expenses	(314)	2,860	1,186
Net change in capital assets affecting operations (Schedule 4)	17	38	(54)
Surplus (deficit) for the year	$ (297)	$ 2,898	$ 1,132
Surplus for the purposes of the Deficit Elimination Act and the Balanced Budget and Debt Retirement Act (Note 2):			
Surplus (deficit) for the year	$ (297)	$ 2,898	$ 1,132
Add pension provisions included in valuation adjustments	320	(371)	-
Surplus for purposes of the Deficit Elimination Act and the Balanced Budget and Debt Retirement Act	$ 23	$ 2,527	$ 1,132

The accompanying notes and schedules are part of these financial statements.

PROVINCE OF ALBERTA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 1997

	In millions	
	1997	1996
Financial assets:		
Cash and marketable securities (Schedule 5)	$ 1,137	$ 942
Accounts and accrued interest receivable	1,707	2,115
Portfolio investments (Schedule 6)	10,133	9,688
Equity in commercial enterprises (Schedule 7)	19	185
Loans and advances (Schedule 8)	6,521	7,239
Inventories held for resale (Schedule 9)	148	305
	19,665	20,474
Liabilities:		
Accounts and accrued interest payable	1,664	2,130
Unmatured debt (Schedule 10)	15,356	17,838
Debt of Alberta Municipal Financing Corporation (Schedule 11)	4,202	4,434
Pension obligations (Schedule 12)	4,981	5,352
Other accrued liabilities (Schedule 13)	1,825	1,943
Restricted equity in Alberta Municipal Financing Corporation (Schedule 11)	314	352
	28,342	32,049
Net debt	$ 8,677	$ 11,575
Net debt at beginning of year	$ 11,575	$ 12,707
Surplus for the year	2,898	1,132
Net debt at end of year	$ 8,677	$ 11,575
Net financial debt for purposes of the Balanced Budget and Debt Retirement Act (Note 2):		
Net debt at end of year	$ 8,677	$ 11,575
Less pension obligations	4,981	5,352
Net financial debt	$ 3,696	$ 6,223

The accompanying notes and schedules are part of these financial statements.

PROVINCE OF ALBERTA
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1997

	In millions	
	1997	1996
Operating transactions:		
Surplus for the year	$ 2,898	$ 1,132
Non-cash items included in surplus	259	202
	3,157	1,334
Change in restricted equity in Alberta Municipal Financing Corporation	(38)	56
Other, net	(449)	(521)
Cash provided by operating transactions	2,670	869
Investing transactions:		
Proceeds from disposals, repayments and redemptions of portfolio investments	1,940	1,301
Repayment of loans and advances	1,034	1,640
Portfolio investments	(2,301)	(3,358)
Loans and advances	(281)	(1,042)
Other, net	31	336
Cash provided by (applied to) investing transactions	423	(1,123)
Financing transactions:		
Debt issues	17,995	22,285
Debt retirement	(20,893)	(21,981)
Cash provided by (applied to) financing transactions	(2,898)	304
Increase in cash and marketable securities	195	50
Cash and marketable securities at beginning of year	942	892
Cash and marketable securities at end of year	$ 1,137	$ 942

The accompanying notes and schedules are part of these financial statements.

PROVINCE OF ALBERTA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1997

Note 1 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies:

(a) Reporting Entity

These financial statements include the accounts of all government entities including the General Revenue Fund, revolving funds, the Alberta Heritage Savings Trust Fund, and other regulated funds, Provincial agencies and Crown-controlled corporations. A listing of these organizations is provided in Schedule 15. Accountable organizations such as universities, public colleges, technical institutes, regional health authorities and school boards are not included in the consolidated financial statements.

(b) Method of Consolidation

The accounts of the General Revenue Fund, revolving funds, regulated funds and Provincial agencies, except those designated as commercial enterprises, are consolidated after adjusting them to a basis consistent with the accounting policies described below in (c). Revenue and expenditure transactions, investing and financing transactions, and related asset and liability accounts between consolidated entities have been eliminated.

The accounts of Crown-controlled corporations and Provincial agencies designated as commercial enterprises are reported on an equity basis, the equity being computed in accordance with generally accepted accounting principles.

The reporting period of some Provincial agencies is other than March 31. Transactions of these agencies that have occurred during the period to March 31, 1997 and that significantly affect the consolidation have been recorded.

(c) Basis of Financial Reporting

Reporting the Results of Operations

The consolidated statement of operations reports revenues of the year, including proceeds from disposal of capital assets, the cost of capital assets consumed during the year, including amortization of capital assets, and the excess of revenues over expenses. The intermediate result of operations is then adjusted within the consolidated statement of operations for the difference between the cost of capital assets consumed and the cost of capital assets acquired during the year. Losses on disposal and write-downs of capital assets do not affect expenses for the year. The final result of operations is the surplus for the year which is applied to reduce net debt.

Revenues

Corporate income taxes are reported on the cash basis. Personal income taxes and Canada health and social transfer entitlements are reported on the accrual basis, being management's estimates of amounts applicable to the fiscal year under the terms of a tax collection agreement and under the provisions of the federal legislation respectively. Other revenues, including non-renewable resource royalty revenues, are reported on the accrual basis.

Expenses

Expenses represent the cost of resources consumed during the year on government operations. Expenses include provisions for amortization of acquired capital property and expenses incurred in accordance with the conditions of approved grant programs, including grants for capital purposes.

Pension costs comprise: the cost of pension benefits earned by employees during the year; interest on the Province's share of the unfunded pension liability; the amortization of deferred adjustments over the expected average remaining service life of employees which relate to the long term; adjustments to the pension obligation recognized immediately if there is reasonable assurance that a gain or loss has been realized; and the effect of the change in the ratio used to allocate the plan's total unfunded liability to participating entities.

Pension costs which are funded are included in expenses by function and costs which have not been funded are recorded on the statement of operations as a valuation adjustment to the pension obligation.

Valuation adjustments also include obligations under guarantees and indemnities which are charged to valuation adjustments when management determines that the Province will likely be called upon to make payment. The charge represents management's estimate of future payments less recoveries.

Any adjustments to the Province's obligations to provide funding from future appropriations to school boards to enable them to repay the principal portion of debentures issued by school boards to the Alberta Municipal Financing Corporation are charged or credited to valuation adjustments.

The estimated increase or decrease for the year in accrued employee vacation entitlements and long-term disability benefits is also charged or credited to valuation adjustments.

No provision is made in the financial statements for commitments, details of which are disclosed in Note 4.

Net Change in Capital Assets Affecting Operations

The net change in capital assets affecting operations accounts for the inclusion of the cost of capital assets acquired during the year, and the exclusion of the annual amortization provision.

The effect of the net change in capital assets is that the surplus for the year is based on the cost of resources acquired during the year, as explained previously in Reporting the Results of Operations.

Financial Assets

Financial assets are limited to financial claims on outside organizations and individuals and inventories held for resale at the year end, except for corporate income taxes receivable which are not reported.

Marketable securities, which are temporary investments, are valued at cost or fair value, whichever is lower, on an aggregate basis.

Portfolio investments, which are investments to provide income for the long term, are carried at cost. Realized gains and losses on disposals of these investments are included in the determination of the surplus for the year.

Loans are recorded at cost less any unearned income and allowance for credit loss. Loans made on significantly concessionary terms are discounted by the amount of concessions. The amount of the discount is amortized to revenue over the term of the loan, except when the collectibility of either the principal or interest related to the loan transaction is not reasonably assured.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

Real estate held for resale is valued at the lower of cost and net realizable value, on an aggregate basis. Inventories representing the Province's share of royalty oil in feeder and trunk pipelines are stated at actual net realizable value. Other inventories are valued at the lower of cost, determined on a first-in, first-out basis, and estimated net realizable value.

Liabilities

Liabilities include all financial claims payable by the Province at the year end.

Debentures included in unmatured debt are recorded at the face amount of the issue less unamortized discount, which includes issue expenses and hedging costs.

Income or expense on interest rate swaps and forward interest rate agreements used to manage interest rate exposure are recorded as an adjustment to debt servicing costs. The exchange gain or loss on the foreign exchange contracts used to manage currency exposure is deferred and amortized over the life of the contract.

Liabilities also include the following:

- estimates of the present value of the Province's obligations for future pension contributions and/or benefits under defined benefit pension plans for provincial and other public sector employees, and certain Members of the Legislative Assembly, including deferred adjustments arising from experience gains and losses and changes in actuarial assumptions identified by new actuarial valuations,
- the Province's obligation to provide funding to school boards from future appropriations to enable them to repay the principal portion of debentures issued by school boards to the Alberta Municipal Financing Corporation, and
- accrued employee vacation entitlements and long-term disability benefits.

Foreign Currency

Foreign currency transactions are translated into Canadian dollars using average rates of exchange, except for hedged foreign currency transactions which are translated at rates of exchange established by the terms of the forward exchange contracts. Exchange differences on unhedged transactions are included in the determination of the surplus for the year.

Measurement Uncertainty

Estimates are used in accruing revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty that is material to these financial statements exists in the accrual of personal income taxes, royalties derived from non-renewable resources and provisions for pensions and loans and advances. The nature of the uncertainty in these items arises from several factors such as the effect on accrued taxes of the verification of taxable income; the effect on accrued royalties of the receipt of revised production data and reassessments; the effect on accrued pension obligations of actual experience compared to assumptions; and the effect on loans and advances of actual collectibility and changes in economic conditions. While best estimates have been used for reporting items subject to measurement uncertainty, management considers that it is possible, based on existing knowledge, that changes in future conditions in the near term could require a material change in the recognized amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

Capital Assets

Capital assets are not included in the Province's financial position but are disclosed in Note 5.

Capital assets are restricted to capital assets the Province acquired for cash or for other assets. Assets acquired by right, such as Crown lands, forests, water and mineral resources, are not included. In addition, assets paid for by other parties, such as the federal government, are excluded. Capital assets of commercial enterprises or Crown-controlled corporations which are included in the consolidated financial statements on the equity basis are also excluded.

The historical cost of capital assets is estimated and amortization is calculated on a straight line basis over the periods expected to benefit from their use, and the annual amortization is included in the expenses reported in the consolidated statement of operations. The annual amortization of the costs of capital assets is allocated to the functions of the government that employ those assets.

Note 2 Fiscal Policy Legislation
(tabular amounts in millions)

(a) Deficit Elimination Act and Balanced Budget and Debt Retirement Act

During 1996-97, the Province complied with the Deficit Elimination Act and the Balanced Budget and Debt Retirement Act. Section 2 of both Acts require that expenditures during 1996-97 must not result in a deficit. Pension provisions are excluded from the application of section 2 by section 12(5) of the Financial Administration Act. Section 5(1) of the Deficit Elimination Act requires that any revenue of the General Revenue Fund in excess of the amount budgeted may only be used to reduce debt that would otherwise be accumulated. The effect of this section is that excess revenues of the General Revenue Fund cannot be used to fund expenditure. The Province's compliance with these provisions is demonstrated in the table below.

	1997	1996
Surplus for purposes of the Deficit Elimination Act	$ 2,527	$ 1,132
Allowed deficit pursuant to Section 2 of the Deficit Elimination Act	-	800
Margin of compliance	2,527	1,932
Excess of General Revenue Fund actual revenue over General Revenue Fund estimated revenue	2,265	1,198
Expenditures below that permitted by the Deficit Elimination Act	$ 262	$ 734

(b) Net Financial Debt

Net debt consists of total liabilities less total assets, and net financial debt consists of net debt less pension obligations. On this basis, net financial debt at March 31, 1997 is $3,696 million (1996 $6,223 million).

The Deficit Elimination Act prohibited any increase in net financial debt during 1996-97. The Balanced Budget and Debt Retirement Act prohibits any future deficits. The Act requires all future annual surpluses be used to retire net financial debt. The Act also specifically requires that net financial debt be reduced to $4,050 million at March 31, 2001, $1,800 million at March 31, 2006, and fully retired at March 31, 2010.

Note 3 Risk Management

(a) Liability Management

The objective of the Province's liability management program is to achieve the lowest cost on debt within an acceptable degree of variability of debt servicing costs. In order to achieve this objective, the Province manages three risks - interest rate risk, currency exchange risk, and refunding risk. The Province manages these three risks within approved policy guidelines. The management of these risks and the policy guidelines apply to the Province's General Revenue Fund debt (referred to below as direct debt). Debt of Provincial corporations is managed separately in relation to each corporation's assets.

The policy guideline for interest rate risk is that floating rate debt should be between 38 per cent and 50 per cent of direct debt. The policy guideline for currency exchange risk is that unhedged U.S. dollar debt should be between 32 per cent and 35 per cent of direct debt, with no exposure to currencies other than to Canadian and United States dollars. The policy guideline for refunding risk is that term debt maturities should not exceed $3.5 billion in any fiscal year, excluding early redemption of Alberta Capital Bonds and Alberta Savings Certificates. These policies were complied with during the year.

(b) Asset Management

The majority of the Province's portfolio investments are managed in the Alberta Heritage Savings Trust Fund (Heritage Fund).

The Heritage Fund is comprised of two portfolios. The Endowment Portfolio has the objective of maximizing long-term financial returns. The portfolio is comprised of 35% to 65% fixed income instruments and 35% to 65% equities. The Transition Portfolio has the objective of providing income support to the government's fiscal plan over the short term to medium term. The portfolio consists mainly of Canadian fixed income securities.

The Alberta Heritage Foundation for Medical Research Endowment Fund and the Alberta Heritage Scholarship Fund are managed to preserve the capital of the funds over time and to provide an annual level of income for grants. Alberta Municipal Financing Corporation's sinking fund is managed to defease maturing debt of the corporation.

Note 4 Commitments and Contingencies
(tabular amounts in millions)

Set out below are details of commitments to outside organizations and individuals and contingencies resulting from guarantees, indemnities and litigation, other than those reported as liabilities and shown in Schedule 13.

Management considers that the contingencies will not result in any material adverse effect on the Province. Any losses arising from the settlement of contingencies are treated as current year expenses.

(a) Alberta-Metis Settlements Accord

The Metis Settlements Accord Implementation Act was proclaimed on November 1, 1990. This Act implements the Alberta-Metis Settlements Accord signed on July 1, 1989 which provides that $310 million is to be paid from the General Revenue Fund at $30 million a year for seven years beginning April 1, 1990, followed by ten annual payments of $10 million beginning April 1, 1997. Payments of $100 million (1996 $130 million) remain to be made from the General Revenue Fund at March 31, 1997. Certain matching payments will also be required to be made to settlement councils under the Act between 1997 and 2007.

(b) Royalty Paid Natural Gas

The Province is committed to reduce future royalties on reproduction of royalty paid natural gas and by-products injected into underground reservoirs prior to January 1, 1994. At March 31, 1997, the commitment was estimated at $180 million (1996 $189 million). Under the Natural Gas Royalty Regulation, the commitment has to be discharged by December 31, 1999.

(c) Other Commitments

	1997	1996
Obligations under long-term leases, contracts and programs	$ 1,466	$ 1,363
Loans and advances approved and undisbursed	32	27
	$ 1,498	$ 1,390

Lease payment requirements for each of the next five years are as follows:

1997-98	$112 million
1998-99	$ 92 million
1999-00	$ 77 million
2000-01	$ 65 million
2001-02	$ 46 million

The government has various commitments relating to the devolution of services or disposition of assets to the private sector. Those commitments include the performance of duties and obligations if the private sector organization fails to meet them. Management is of the opinion that any resulting costs would not materially affect the financial position of the Province.

(d) Guarantees and Indemnities

Guarantees and indemnities amounting to $1,323 million (1996 $2,038 million) are analyzed in Schedule 14.

(e) Contingencies of Commercial Enterprises

The Credit Union Deposit Guarantee Corporation has a potential liability under guarantees relating to deposits of credit unions. At December 31, 1996 credit unions in Alberta held deposits totalling $4,211 million (1995 $3,936 million), and had assets in excess of deposits.

At March 31, 1997 the Treasury Branches Deposits Fund had a potential liability under guarantees and letters of credit amounting to $423 million (1996 $479 million).

N.A. Properties (1994) Ltd. has provided guarantees of principal and interest on mortgages sold to Canadian Western Bank. The principal and interest on these mortgages totalled $55 million at March 31, 1997 (1996 $54 million).

(f) Legal Actions

The Province has a contingent liability in respect of thirteen claims by Indian Nations and Indian Bands aggregating $63,873 million (1996 ten claims aggregating $52,861 million). The claims concern aboriginal rights, Indian title and Treaty rights. The Province also has a contingent liability in respect of ten other Indian claims (1996 eight claims) in which the amounts claimed are unspecified.

The Province has a contingent liability in respect of 703 claims (1996 137 claims) relating to decisions made by the Eugenics Board of Alberta pursuant to the Sexual Sterilization Act of 1928, which was repealed in 1972. Statements of claim aggregating $764 million (1996 $126 million) have been received in connection with these matters.

At March 31, 1997 the Province was named as defendant in various legal actions in addition to those noted above. The total claimed in specific legal actions amounts to approximately $2,064 million (1996 $1,820 million).

The resulting loss, if any, from these claims cannot be determined.

Note 5 Capital Assets
(tabular amounts in millions)

As capital assets are not included in the Province's financial position, the following information is provided to inform users about the capital assets held and available for use by the Province.

The process of establishing the completeness and reasonableness of the estimated historical cost of the assets is ongoing. During 1996-97, adjustments were made amounting to $115 million (1996 $68 million) caused by a refinement of the estimation process, to reduce the net book values disclosed in the previous year.

Capital assets held and available for use at the end of the year are shown below by type of asset.

		1997			1996
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
General capital assets:					
Land	Indefinite	$ 1,015	$ -	$ 1,015	$ 1,016
Buildings	40 years	3,089	1,006	2,083	2,175
Equipment	3-10 years	238	140	98	135
Computer hardware and software	5-10 years	325	222	103	103
Other	20-50 years	135	78	57	56
		4,802	1,446	3,356	3,485
Infrastructure assets:					
Land improvements	10-40 years	205	96	109	114
Provincial highways, roads and airstrips	50 years	4,136	1,386	2,750	2,749
Bridges	50 years	436	128	308	297
Dams and water management structure	25-100 years	898	129	769	766
		5,675	1,739	3,936	3,926
		$ 10,477	$ 3,185	$ 7,292	$ 7,411

Land includes land acquired for parks and recreation, building sites, infrastructure and other program use. It does not include land held for resale or Crown lands acquired by right.

Equipment includes vehicles, heavy equipment, fire protection equipment, office equipment and furniture, and other equipment.

Other capital assets include leasehold improvements (amortized over the life of the lease), rail cars and trailers.

Land improvements include parks development and grazing reserves.

Provincial highways and roads consist of original pavement, roadbed, drainage works and traffic control devices. Secondary highways are not included because they are controlled and managed by municipalities.

Dams and water management structures include dams, reservoirs, weirs, canals, dikes, ditches, channels, diversions, cut-offs, pump houses and erosion protection structures.

Changes to capital assets were as follows:

	1997	1996
Net book value at beginning of year	$ 7,411	$ 7,554
Capital assets acquired	197	286
Amortization provision	(235)	(232)
Disposals and write-downs	(81)	(197)
Net book value at end of year	$ 7,292	$ 7,411

Note 6 Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accrued interest, receivables and payables, are estimated to approximate their book values.

Fair values of loans and advances are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair values with sufficient reliability.

The fair value of unmatured debt and debt held by the Alberta Municipal Financing Corporation is an approximation of its fair value to the holder.

The methods used to determine the fair values of marketable securities and portfolio investments are explained in the following paragraphs.

Public fixed-income securities and equities are valued at the year-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

Mortgages and certain non-public provincial debentures are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

The fair value of private equities is estimated by management.

Real estate investments are reported at their most recent appraised value, net of any liabilities against the real property. Real estate properties are appraised at least every three years by qualified external real estate appraisers.

Note 7 Trust Funds Under Administration
(tabular amounts in millions)

Trust funds under administration are regulated and other funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purposes of various trusts, they are not included in the consolidated financial statements.

At March 31, 1997, trust funds under administration were as follows:

	1997	1996
Public Sector Pension Plan Funds	$ 12,505	$ 10,984
The Workers' Compensation Board Accident Fund	2,306	2,881
Teachers' Pension Plan Funds	1,337	1,124
Public Trustee	305	291
Regional Health Authorities and various health institutions construction accounts	76	100
Special Areas Trust Account	55	58
Various Courts and Sheriffs' Offices	45	42
Miscellaneous trust funds	142	157
	$ 16,771	$ 15,637

Note 8 Budget

The budget figures were derived from Agenda '96 tabled in the Legislature on February 22, 1996. As required by the Deficit Elimination Act, budgeted revenue is reduced by a cushion for corporate income tax and resource revenue. The budget figures have been restated to a basis consistent with that used for actual results reported on the consolidated statement of operations. In order to convert the consolidation of Alberta Municipal Financing Corporation's budget from an equity to a line-by-line basis, the restatement increases both the investment income and regional planning and development expense budget by $530 million. In addition, there was a restatement to increase the other revenue and net change in capital assets affecting operations budget by $62 million to eliminate losses from sale of capital assets acquired in previous years.

Note 9 Comparative Figures
(tabular amounts in millions)

As a result of amendments to the Alberta Heritage Savings Trust Fund Act which came into force on January 1, 1997, marketable securities of the Heritage Fund were transferred to portfolio investments.

During the year, the Alberta Municipal Financing Corporation reduced the recorded value of outstanding loans to local authorities equal to the discounted value of future revenue concessions related to interest rate reductions on the loans in 1987 and 1988.

In addition, long term investments in loans are now included in loans and advances, and sinking fund assets are now included in portfolio investments.

These adjustments and presentation changes have been recorded retroactively in these financial statements and the 1996 figures have been reclassified to conform to 1997 presentation. These adjustments have no effect on the Province's surplus and net debt. The following is a summary of adjustments and changes to amounts reported previously at March 31, 1996.

	Amounts as Previously Reported	Adjustments	Amounts as Restated
Cash and marketable securities	$ 8,601	$ (7,659)	$ 942
Accounts and accrued interest receivable	2,191	(76)	2,115
Portfolio investments	1,888	7,800	9,688
Long-term investments	479	(479)	-
Loans and advances	6,893	346	7,239
Accounts and accrued interest payable	(2,134)	4	(2,130)
Debt of Alberta Municipal Financing Corporation	(4,295)	(139)	(4,434)
Equity in Alberta Municipal Financing Corporation	(555)	203	(352)
	$13,068	$ -	$ 13,068

Certain other 1996 figures have been reclassified to conform to 1997 presentation.

PROVINCE OF ALBERTA
SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1997

Schedule 1

REVENUES

	In millions	
	1997	1996
Income taxes:		
Personal income tax	$ 3,445	$ 3,177
Corporate income tax	1,407	1,332
	4,852	4,509
Other taxes:		
School property tax	1,169	1,205
Fuel tax	545	527
Tobacco tax	317	311
Other	295	274
	2,326	2,317
Non-renewable resource revenue:		
Royalties, rentals and fees, bonuses and sales of Crown leases	4,274	3,077
Royalty tax credit	(240)	(292)
	4,034	2,785
Investment income	1,612	1,722
Transfers from Government of Canada:		
Canada health and social transfer	1,129	-
Established programs financing	-	950
Canada assistance plan	-	533
Other	155	188
	1,284	1,671
Fees, permits and licences:		
Health care insurance premiums	600	590
Other	673	569
	1,273	1,159
Net income from commercial operations	311	460
Other		
Net income from lottery operations	577	556
Miscellaneous	382	393
	959	949
	$ 16,651	$ 15,572

Schedule 2

EXPENSES BY OBJECT

	In millions	
	1997	1996
Grants	$ 9,291	$ 9,169
Interest and amortization of unrealized exchange gains and losses	1,796	2,024
Salaries, wages, employment contracts and benefits	1,105	1,255
Services	1,229	1,170
Amortization provision	235	232
Materials and supplies	160	166
Pension liability funding	129	140
Travel and communication	103	107
Valuation adjustments	(288)	94
Other expenses	31	29
	$ 13,791	$ 14,386

Schedule 3

VALUATION ADJUSTMENTS

	In millions	
	1997	1996
Provision for losses, doubtful accounts, loans, guarantees and indemnities	$ 101	$ 98
Write-down of investments and provision for decline in market value	-	10
Provision for employee benefits other than pensions	(3)	(2)
Provision for loans and advances repayable from future appropriations	(15)	(12)
Pension provisions:		
Interest and amortization of long-term gains	50	-
Immediate recognition of short-term gains	(421)	-
	$ (288)	$ 94

Schedule 4

NET CHANGE IN CAPITAL ASSETS AFFECTING OPERATIONS

	In millions	
	1997	1996
Cost of capital assets acquired during the year	$ (197)	$ (286)
Amortization provision	235	232
	$ 38	$ (54)

Schedule 5

CASH AND MARKETABLE SECURITIES

	In millions			
	1997		1996	
	Book Value	Fair Value	Book Value	Fair Value
Fixed-income securities (a):				
Government of Canada, direct and guaranteed	$ 93	$ 93	$ 86	$ 86
Provincial, direct and guaranteed	29	29	50	50
Corporate	58	58	135	135
	180	180	271	271
Cash and cash equivalents	957	957	671	671
	$ 1,137	$ 1,137	$ 942	$ 942

(a) Fixed-income securities have an average effective yield of 4.1% per annum. All securities have terms to maturity of less than two years.

Schedule 6

PORTFOLIO INVESTMENTS

In millions

	1997		1996	
	Book Value	Fair Value	Book Value	Fair Value
Fixed-income securities (a):				
Government of Canada, direct and guaranteed	$ 4,196	$ 4,314	$ 5,023	$ 5,072
Provincial, direct and guaranteed	2,278	2,394	1,867	1,947
Municipal	18	20	15	16
Corporate	2,465	2,488	2,019	2,031
Other	57	58	36	36
Mortgages	40	46	23	27
	9,054	9,320	8,983	9,129
Equities:				
Canadian	587	1,025	482	840
Foreign	491	500	210	245
Real estate	1	1	-	-
	1,079	1,526	692	1,085
Balanced Funds	-	-	13	14
	$ 10,133	$ 10,846	$ 9,688	$ 10,228

(a) The majority of the Province's fixed-income securities are managed in the Transition Portfolio of the Alberta Heritage Savings Trust Fund. As at March 31, 1997, the Transition Portfolio held $7,927 million of public fixed-income securities at cost (fair value $8,132 million). The securities held have an average effective yield of 3.63% per annum based on market for securities maturing in a year, and 5.52% per annum for securities maturing between 1 and 35 years. As at March 31, 1997, the Portfolio has the following term structure based on par:

	%
Under 1 year	24
1 to 5 years	64
5 to 10 years	11
over 10 years	1

Schedule 7

EQUITY IN COMMERCIAL ENTERPRISES

	In millions	
	1997	1996
Accumulated surpluses (deficits):		
Accumulated surpluses at beginning of year	$ 9	$ 52
Total revenue	2,414	1,926
Total expenditure	1,550	1,498
Net revenue	864	428
Net transfers to the General Revenue Fund and other adjustments	981	471
Accumulated surpluses (deficits) at end of year	$ (108)	$ 9
Represented by:		
Assets:		
Loans	$ 7,317	$ 7,705
Investments	1,126	1,050
Other assets	945	911
Total assets	9,388	9,666
Liabilities:		
Accounts payable	478	341
Deposits	8,408	8,679
Unmatured debt	609	636
Pension obligations	1	1
Total liabilities	9,496	9,657
	$ (108)	$ 9
Accumulated surpluses (deficits) at end of year:		
Credit Union Deposit Guarantee Corporation	$ 53	$ 48
Alberta Gaming and Liquor Commission	14	14
Alberta Intermodal Services Ltd.	2	2
The Alberta Government Telephones Commission	1	1
N.A. Properties (1994) Ltd.	(5)	(8)
Chembiomed Ltd.	(21)	(20)
Treasury Branches Deposits Fund	(152)	(28)
	(108)	9
Elimination of inter fund/agency balances	127	176
Equity in commercial enterprises at end of year	$ 19	$ 185

Schedule 8

LOANS AND ADVANCES

	In millions	
	1997	1996
Loans and advances made under the authority of:		
Alberta Municipal Financing Corporation Act (a)	$ 4,369	$ 4,646
Agriculture Financial Services Act (b)	748	861
Farm Credit Stability Act (c)	687	970
Alberta Heritage Savings Trust Fund Act (d)	583	592
Alberta Opportunity Fund Act	82	84
Alberta Housing Act	77	96
Financial Administration Act	39	46
Rural Electrification Loan Act and Rural Electrification Long Term Financing Act	20	19
Municipal Land Loans Act	3	4
Small Business Term Assistance Act	2	13
	6,610	7,331
Less: Allowance for doubtful loans, advances implemented guarantees and indemnities	89	92
	$ 6,521	$ 7,239

(a) Municipal loans have the following average effective per annum yield and term structure as at March 31, 1997.

	Term %	Yield %
Under 1 year	11	10.5
1 to 5 years	37	10.5
5 to 10 years	32	10.4
Over 10 years	20	9.2

(b) Agricultural loans have the following average effective per annum yield and term structure as at March 31, 1997.

	Term %	Yield %
Under 1 year	2	8.5
1 to 5 years	11	7.4
5 to 10 years	22	8.9
Over 10 years	65	9.0

(c) Farm loans bear interest at a fixed effective rate of 9% per annum and have remaining terms to maturity of less than 10 years.

(d) It is not practicable within constraints of timeliness and cost to estimate the average effective yields of these project loans which were made with the intention of diversifying the economy. The loans have the following term structure as at March 31, 1997: under 1 year - 3%; 1 to 5 years - 8%; over 10 years - 89%.

Schedule 9

INVENTORIES HELD FOR RESALE

	In millions	
	1997	1996
Real estate held for resale	$ 90	$ 106
Royalty oil	48	188
Other inventories for resale	10	11
	$ 148	$ 305

Schedule 10

UNMATURED DEBT

In millions

	1997				1996	
	Effective Rate (a)(b)(c) %	Modified Duration (d) yrs.	Book Value (a)	Fair Value (a)	Book Value (a)	Fair Value (a)
General Revenue Fund:						
Canadian dollar debt and fully hedged foreign currency debt:						
Floating rate and short-term fixed rate debt (e)	5.44	0.41	$ 4,125	$ 4,227	$ 5,525	$ 5,567
Fixed rate long-term debt (f)	8.12	4.11	6,093	6,582	7,206	7,624
	7.04	2.66	10,218	10,809	12,731	13,191
Unhedged U.S. dollar debt:						
Floating rate and short-term fixed rate debt (e)	6.14	0.32	2,092	2,176	1,711	1,835
Fixed rate long-term debt	7.59	3.16	2,935	3,227	3,292	3,693
	7.00	2.02	5,027	5,403	5,003	5,528
Total General Revenue Fund unmatured debt	7.00	2.45	15,245	16,212	17,734	18,719
Alberta Social Housing Corporation:						
Canadian dollar fixed rate debt			111	111	104	104
Total unmatured debt			$ 15,356	$ 16,323	$ 17,838	$ 18,823

(a) Book value represents the amount the Province owes. Fair value is an approximation of market value to the holder. The book value, fair value and effective rate include the effect of interest rate and currency rate swaps. For non-marketable issues, the effective rate and fair value are determined by reference to yield curves for comparable quoted issues.

(b) Effective rates on unhedged U.S. dollar debt are on debt stated in U.S. dollars.

(c) Effective rate on total General Revenue Fund unmatured debt is on debt inclusive of deferred exchange losses on unhedged U.S. dollar debt.

(d) Modified duration is the weighted average term to maturity of the security's cash flows (i.e., interest and principal) and is a measure of price volatility; the greater the modified duration of a bond, the greater its percentage price volatility.

(e) Floating rate debt includes short-term debt, term debt with less than one year remaining to maturity, term debt with interest rate reset within a year, and fixed rate debt which has been swapped into a floating rate obligation.

(f) Canadian dollar fixed rate debt includes $679 million (1996 $679 million) held by the Canada Pension Plan Investment Fund.

Debt principal repayment requirements in each of the next five years, including short-term debt maturing in 1997-98, are as follows:

1997-98	$ 2,958 million	(includes U.S. $ 373 million unhedged)
1998-99	$ 2,837 million	(includes U.S. $1,140 million unhedged)
1999-00	$ 2,075 million	(includes U.S. $ 402 million unhedged)
2000-01	$ 2,016 million	(includes U.S. $ 800 million unhedged)
2001-02	$ 957 million	(includes U.S. $ 76 million unhedged)

Some of the General Revenue Fund debt has call provisions. Years to maturity reflect original maturity date and not early call date. Debt with call provisions occurring in under one year is $ 142 million, and in one to five years is $ 574 million.

Derivative financial instruments

The Province uses interest rate swaps and currency rate swaps and contracts to manage the interest rate risk and currency exposure associated with unmatured debt. In addition, forward interest rate agreements are used to manage interest rate exposure in the short term. Associated with these instruments are credit risks that could expose the Province to potential losses. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Credit exposure to counterparties is a fraction of the notional principal amount, as shown in the table below. The Province minimizes its credit risk associated with these contracts by dealing with only the most credit worthy counterparties.

Schedule 10 (continued)

UNMATURED DEBT (continued)

Interest rate swaps involve the exchange of a series of interest payments, either at a fixed or floating rate, based upon a contractual or notional principal amount. An interest rate swap agreement based upon a notional amount involves no exchange of underlying principal. The notional amount serves as the basis for determining the exchange of interest payments. At March 31, 1997, interest rate swap agreements were being used primarily to convert fixed interest rate payments to floating rates.

Cross currency interest rate swaps involve both the swapping of interest rates and currencies.

Currency rate swaps including foreign exchange contracts involve an agreement to exchange United States dollars and other currencies into Canadian and United States dollars at an agreed upon rate and on an agreed settlement date.

The following table summarizes the Province's derivative portfolio and related credit exposure:

Notional amount: represents the amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Replacement cost: represents the cost of replacing, at current market rates, the net counterparty exposures which have a positive fair value.

	In millions			
	1997		1996	
	Notional Amount	Replacement Cost	Notional Amount	Replacement Cost
Interest rate swaps	$ 1,790	$ 142	$ 1,730	$ 24
Cross currency interest rate swaps	2,373	37	1,370	71
Currency rate swaps including foreign exchange contracts (stated in Canadian dollars)	36	4	941	102
	$ 4,199	$ 183	$ 4,041	$ 197

Schedule 11

DEBT AND RESTRICTED EQUITY IN ALBERTA MUNICIPAL FINANCING CORPORATION

	In millions	
	1997	1996
Alberta Municipal Financing Corporation		
Canadian dollar fixed rate debt (a)	$ 4,202	$ 4,434
Restricted equity (b)	$ 314	$ 352

(a) Canadian dollar fixed rate debt includes $3,657 million (1996 $3,798 million) held by the Canada Pension Plan Investment Fund and has the following characteristics as at March 31, 1997 [see Schedule 10 note (a) and note (d)].

	1997	1996
Fair value	$5,125 million	$5,205 million
Average effective rate	11.67% per annum	11.43% per annum
Modified duration	4.51 years	4.63 years

Debt principal repayment requirements in each of the next five years, including short-term debt maturing in 1997-98, are as follows:

1997-98	$ 165 million
1998-99	$ 224 million
1999-00	$ 211 million
2000-01	$ 365 million
2001-02	$ 254 million

(b) Alberta Municipal Financing Corporation equity has been included in liabilities of the Province because it represents profits of the corporation which the corporation has the power to pay to municipal and other shareholders that have borrowed money from the corporation.

Schedule 12

PENSION OBLIGATIONS

Pension obligations are based upon actuarial valuations performed at least triennially using the projected benefit method prorated on services. The assumptions used in the valuations were adopted after consultation between the pension plan boards, the government and the actuaries, depending on the plan, and represent best estimates of future events. Each plan's future experience will inevitably vary, perhaps significantly, from the assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations. Gains and losses which relate to the long term are amortized over the expected average remaining service lives of the related employee groups. Gains and losses for which there is reasonable assurance regarding their measurement and realization are recognized in income immediately, which, for 1996-97, resulted from the recording of the effect of plan curtailments.

The valuations were based upon economic assumptions, including a long-term rate of return on pension plan fund assets of 4 per cent over the level of price inflation. The rate was based upon a long-term rate of return of 8.5 per cent per annum and price inflation of 4.5 per cent for the Teachers' plan, 8 per cent and 4 per cent respectively for Universities Academic, Local Authorities, Special Forces, Management Employees and Public Service Management (Closed Membership) plans, and 7.5 per cent and 3.5 per cent respectively for the Public Service plan. Demographic assumptions used in the valuations reflect the experience of the plans.

The latest actuarial valuations were performed as at December 31, 1996 for Universities Academic, as at December 31, 1995 for Local Authorities, Special Forces, and Public Service, as at December 31, 1994 for Management Employees, Public Service Management (Closed Membership), and Members of the Legislative Assembly, and as at August 31, 1995 for the Teachers' plan. These actuarial valuations indicated a deficiency of net assets over actuarial present value of accrued benefits. Including deferred adjustments, these unfunded liabilities were extrapolated to March 31, 1997.

A separate pension plan fund is maintained for each pension plan except for the Members of the Legislative Assembly plan. Pension plan fund assets are invested in both marketable investments of organizations external to the government and in Province of Alberta bonds and promissory notes.

	In millions	
	1997	1996
Obligations to pension plans for employees of organizations outside the government reporting entity:		
Teachers' Pension Plan (a)	$ 3,665	$ 3,464
Universities Academic Pension Plan (b)	97	185
Local Authorities Pension Plan (b)	84	246
Special Forces Pension Plan (b)	39	92
	3,885	3,987
Obligations to pension plans for current and former employees and Members of the Legislative Assembly:		
Public Service Management (Closed Membership) Pension Plan (c)	660	654
Public Service Pension Plan (c)	284	539
Management Employees Pension Plan (c)	95	116
Members of the Legislative Assembly Pension Plan (d)	57	56
	1,096	1,365
	$ 4,981	$ 5,352

(a) The Alberta Teachers' Retirement Fund Board is a trustee and administrator of the Teachers' Pension Plan. The Alberta Teachers' Retirement Fund Board operates under the authority of the Teachers' Pension Plans Act. The Act requires all teachers under contract with public and separate school jurisdictions in Alberta to contribute to the Teachers' Pension Plan.

Under the Teachers' Pension Plans Act, the unfunded liability for service credited prior to September 1, 1992 is being financed by additional contributions in the ratio of 67.35 per cent by the Province and 32.65 per cent by the teachers over the period ending August 31, 2060. In addition, for service after August 1992, the Province funds 50 per cent of any current service costs and related actuarial adjustments, including certain cost-of-living benefits.

The Act provides that payment of all benefits prior to September 1, 1992 is guaranteed by the Province.

Schedule 12 (continued)

PENSION OBLIGATIONS (continued)

(b) Under the Public Sector Pension Plans Act, the Province has obligations for payment of additional contributions under defined benefit pension plans for employees of local authorities and post-secondary educational institutions. The three plans are the Universities Academic, Local Authorities and Special Forces pension plans.

For Universities Academic, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 1.25 per cent of pensionable salaries by the Province, and such percentages by employers and employees as will fund equally the remaining amount as determined by the plan valuation, over the period ending on or before December 31, 2043. Current service costs are funded by employers and employees.

For Local Authorities, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions in the ratio of 30 per cent by the Province and 35 per cent each by employers and employees, over the period ending on or before December 31, 2036. Current service costs are funded by employers and employees.

For Special Forces, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions in the ratio of 45.45 per cent by the Province and 27.27 per cent each by employers and employees, over the period ending on or before December 31, 2036. Current service costs are funded by employers and employees. The Act provides that payment of all benefits arising from pensionable service prior to 1994, excluding post-1991 COLA benefits, is guaranteed by the Province.

(c) The Province administers three defined benefit pension plans for substantially all of its employees. The three plans are the Public Service, Management Employees and the Public Service Management (Closed Membership) pension plans. An employee can be a member of only one plan at a time.

For Public Service, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions in the ratio of 62.5 per cent by the Province and 18.75 per cent each by employers and employees, over the period ending on or before December 31, 2036. Current service costs are funded by employers and employees.

For Management Employees, the unfunded liability for service credited prior to January 1, 1992 is being financed by additional contributions of 0.75 per cent for employees and such percentages by employers as will be required to eliminate the unfunded liability over the period ending on or before December 31, 2043. Current service costs are funded by employers and employees.

The Public Service Management (Closed Membership) pension plan provides benefits to former members of the Public Service Management pension plan who retired before August 1, 1992. After all assets in the plan are exhausted, all benefits under the plan will be paid by the Province.

The total pension related expenses include the following components:

	In millions	
	1997	1996
Pension expense for current service:		
Normal contributions as employer	$ 49	$ 49
Amortization of long-term gains, net of interest on the Province's liability	(63)	(3)
Immediate recognition of short-term gains	(194)	-
	$ (208)	$ 46

(d) The Province has a liability for payment of pension benefits under a defined benefit pension plan for Members of the Legislative Assembly. Active participation in this plan was terminated as of June 1993, and no benefits can be earned for service after this date.

Schedule 13

OTHER ACCRUED LIABILITIES

	In millions	
	1997	1996
Guarantees, indemnities and remissions:		
Credit union assistance (a)	$ 124	$ 139
Guarantees and indemnities (Schedule 14)	60	60
Remissions for student loans (Schedule 14)	17	24
Other	111	101
	312	324
Future funding to school boards to enable them to repay debentures issued to the Alberta Municipal Financing Corporation	1,298	1,418
Vacation entitlements and long-term disability benefits	194	195
Other	21	6
	$ 1,825	$ 1,943

(a) The Province has agreed to indemnify and fund interest to the extent necessary on $335 million of debentures issued by S C Financial Ltd. to credit unions in exchange for stabilization preferred shares of the credit unions. The indemnity will expire on October 31, 2010.

Schedule 14

GUARANTEES AND INDEMNITIES (a)

	In millions		
	1997	1996	Expiry Date
Guarantees:			
Farm Credit Stability Act (b)	$ 698	$ 1,013	2011
Alberta Housing Act	251	370	2022
Student Loan Act	138	171	Ongoing
Alberta Newsprint Funding Corporation	136	165	2004
Agriculture Financial Services Act	70	65	Ongoing
Feeder associations	51	54	Ongoing
Canadian Airlines International Ltd.	12	21	2001
Kananaskis Alpine Resort Inc.	8	8	2013
Agricultural Societies Act (b)	7	14	2015
Alberta Opportunity Fund Act	5	4	Ongoing
Rural utilities loans	4	4	Ongoing
Centre for Frontier Engineering Research	3	4	2005
Pocaterra Development Corporation	2	2	2014
Small Business Term Assistance Act	2	12	(c)
Export program	1	4	(c)
University of Calgary	1	1	2016
Skimmer Oil Separators Ltd.	1	1	(c)
Banff Centre for Continuing Education	1	1	2014
North Saskatchewan River Boat Ltd.	1	1	(c)
AEC Power Limited	-	104	(c)
Special Waste Management Corporation Act	-	86	(c)
University of Lethbridge	-	1	(c)
Other under $1 million	-	1	(c)
	1,392	2,107	
Indemnities:			
Canadian Western Bank (d)	8	15	1997
	1,400	2,122	
Less: Estimated liability (Schedule 13)			
Guarantees and indemnities	60	60	
Remissions for student loans	17	24	
	77	84	
	$ 1,323	$ 2,038	

Schedule 14 (continued)

GUARANTEES AND INDEMNITIES (a) (continued)

(a) Authorized loan guarantee limits are shown below where applicable. Where authorized loan guarantee limits are not noted, the authorized limits decline as guaranteed or indemnified loans are repaid.

No new program guarantees are being issued under the following programs or Acts: Alberta family first home program, export program, Small Business Term Assistance Act, Alberta capital loan program, and Farm Credit Stability Act. The final claims under the Alberta family first home program were paid in 1996-97.

Guarantee programs under the following Acts are ongoing:

- Student Loan Act (authorized guarantee limit set by Order in Council is $400 million)
- Agricultural Societies Act (authorized guarantee limit set by statute is $50 million - no guarantees were given under this program during 1996-97)
- Feeder Associations Guarantee Act (authorized guarantee limit set by Order in Council is $55 million)
- Rural Utilities Act
- Irrigation Act (no guarantees were given under this program during 1996-97 and none are outstanding at March 31, 1997)
- Agriculture Financial Services Act
- Alberta Opportunity Fund Act

The lender takes appropriate security prior to issuing a loan to the borrower which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus two per cent.

Reported indemnities are restricted to those relating to loans or other financial instruments.

(b) The expiry date shown is the latest expiry date for guaranteed loans under the program.

(c) Loans have expired, are in the process of realization of security, or guarantees are paid out.

(d) Pursuant to O.C. 562/94 respecting the sale of North West Trust Company, the Province issued a $15 million loan loss and environmental indemnity to Canadian Western Bank (CWB), which reduced to $7.5 million after December 31, 1996. The environmental indemnity expired December 31, 1995 and the loan loss indemnity expires December 31, 1997. The Province indemnifies CWB for non-recovery of a specific loan, and for out-of-pocket expenses or judgements related to that loan including interest calculated on the outstanding balance at CWB's prime less one-quarter of one per cent.

Schedule 15

LISTING OF ORGANIZATIONS

The financial statements of the following organizations are consolidated in these financial statements:

General Revenue Fund

Revolving Funds:
Agriculture, Food and Rural Development Revolving Fund
Community Development Revolving Fund (a)
Economic Development and Tourism Revolving Fund
Education Revolving Fund
Environmental Protection Revolving Fund
Gas Alberta Operating Fund
Personnel Administration Office Revolving Fund (a)
Public Works, Supply and Services Revolving Fund
Transportation Revolving Fund
Treasury Revolving Fund

Regulated Funds:
Alberta Heritage Foundation for Medical Research Endowment Fund
Alberta Heritage Savings Trust Fund
Alberta Heritage Scholarship Fund
Alberta Risk Management Fund
Alberta School Foundation Fund
Crop Reinsurance Fund of Alberta
Environmental Protection and Enhancement Fund
Fish and Wildlife Trust Fund (b)
Historic Resources Fund
Irrigation District Rehabilitation Fund (a)
Livestock Patrons' Assurance Fund
Lottery Fund
Motion Picture Development Fund (a)
Utility Companies Income Tax Rebates Fund
Victims' of Crime Fund (formerly called Victims' Programs Assistance Fund)

Provincial Agencies:
Agriculture Financial Services Corporation
Alberta Agricultural Research Institute
Alberta Alcohol and Drug Abuse Commission
Alberta Dairy Control Board
The Alberta Educational Communications Corporation (a)
Alberta Electric Energy Marketing Agency (c)
Alberta Energy and Utilities Board
Alberta Foundation for the Arts
The Alberta Historical Resources Foundation
Alberta Insurance Council
Alberta Motion Picture Development Corporation (a)
Alberta Municipal Financing Corporation
Alberta Oil Sands Technology and Research Authority
Alberta Opportunity Company
Alberta Pensions Administration Corporation
Alberta Petroleum Marketing Commission (a)
Alberta Racing Commission (a)
Alberta Research Council
Alberta Resources Railway Corporation (c)
Alberta Securities Commission
Alberta Social Housing Corporation
Alberta Special Waste Management Corporation (a)
Alberta Sport, Recreation, Parks and Wildlife Foundation

Schedule 15 (continued)

LISTING OF ORGANIZATIONS (continued)

Provincial Agencies (continued):
Glenbow-Alberta Institute (c)
Human Rights, Citizenship and Multiculturalism Education Fund
(formerly called Alberta Multiculturalism Fund)
The Government House Foundation
Natural Resources Conservation Board
Tire Recycling Management Board (b)
Tourism Education Fund (c)
The Wild Rose Foundation

The following organizations are accounted for on the equity basis in these financial statements:

Commercial Enterprises:
Alberta Gaming and Liquor Commission (formerly called Alberta Liquor Control Board and
Alberta Gaming Commission)
The Alberta Government Telephones Commission
Alberta Intermodal Services Ltd.
Credit Union Deposit Guarantee Corporation
N.A. Properties (1994) Ltd.
Treasury Branches Deposits Fund

Crown-controlled Corporations:
Chembiomed Ltd.
Gainers Inc.

(a) Privatized, wound up or ceased operations in 1996-97.
(b) Dissociated from the government reporting entity effective March 31, 1997.
(c) Dissociated from the government reporting entity effective March 31, 1996.

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